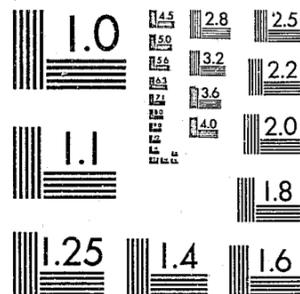


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National Institute of Justice  
United States Department of Justice  
Washington, D. C. 20531

JAN. 3, 1984

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# Office Of Inspector General Semiannual Report

April 1, 1980 - September 30, 1980

Made Pursuant To Section 5 Of Public Law 95-452



October 31, 1980

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ACQUISITIONS

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INTRODUCTION

This Semiannual Report of the NASA Office of Inspector General (OIG) marks the conclusion of one full year of operation since the appointment of the Inspector General and the establishment of a new OIG organizational structure. The first six months of this period were characterized by organizational change, staff reassignments, development of new policies, procedures and operating philosophies, and the recruitment of key staff.

The past six months have been characterized by stability and a steady movement toward substantive implementation of the Inspector General Act.

In the management area, attention was focused on the development of a personnel management program in accordance with the provisions of PL 95-452, the establishment of an independent attorney-advisor capability for the Inspector General, the recruitment of auditors and investigators to staff up the organization, and the implementation of a computerized Management Information System.

In the auditing function, significant effort was directed toward organizing and carrying out a large-scale program audit of the Tracking and Data Relay Satellite Program. A draft report has been prepared and we are in the process of final editing prior to obtaining agency comments. This program audit has provided an important learning experience and we are now planning a second, larger-scale review of another program--"Space Shuttle Production Management."

The investigations organization has concentrated on clearing out the backlog of old cases and initiating inquiries in new directions, with particular emphasis on white collar crime. As the pages that follow indicate, these efforts have already yielded significant results.

*Eldon D. Taylor*  
Eldon D. Taylor  
Inspector General

## CHAPTER I

### ORGANIZATION AND MANAGEMENT

A. Organization. The Inspector General Act of 1978 requires close coordination and cooperation between the Inspector General and the General Accounting Office (GAO). For some years before the establishment of the Office of Inspector General (OIG), NASA had maintained a GAO Liaison Office, outside of the audit organization, to serve as the focal point for NASA management contacts with the GAO. Rather than create a second GAO liaison group to carry out the OIG coordination, the GAO Liaison Office was transferred to the Office of Inspector General on November 4, 1979. This unit was assigned to the Assistant Inspector General for Management component on an interim basis to get the function underway within the OIG framework, to recruit a manager, and to provide oversight pending the appointment of an Assistant Inspector General for Auditing. With the completion of these transitional tasks, the GAO Liaison Staff activity was transferred to the auditing component in April.

B. Audit Liaison. With the integration of the GAO Liaison function within the OIG organization, special effort was devoted to assuring a business-like, effective relationship between the NASA management structure and the GAO. Toward this end, a NASA Management Instruction is being developed outlining new policies and procedures to be applied by management in dealing with the GAO.

New working relationships have also been established between the OIG and the Defense Contract Audit Agency (DCAA). Since most of NASA appropriations are expended through award of contracts, audits of contractor operations are an extremely significant element in the OIG audit program. DCAA provides audit service to NASA on a reimbursable basis. Because of the scope of these activities and the need to integrate them with OIG internal audit plans, close coordination with DCAA is required on a nationwide basis. The Fiscal Year 1981 Audit Plan will reflect the new cooperative arrangements worked out with DCAA in June 1980.

C. OIG Personnel Management Program. PL 95-452 provides statutory authority for Inspectors General "to select, appoint, and employ" officers and employees, subject to certain provisions of Title 5, U.S. Code governing appointments in the competitive service, position classification, and General Schedule pay rates. The NASA Inspector General has elected to exercise this authority and has assigned responsibility for the program to the Assistant Inspector General for Management. In the past few months, a Personnel Officer has been appointed, OIG policies and procedures have been issued, and OIG administrative staff have received the necessary training. Finally, in order to resolve certain ambiguities in the application of the statutory language, a

"Delegation of Authority and Memorandum of Understanding" was approved by the Administrator and the Inspector General. This document authorizes the Inspector General to exercise, within his organization, most of the personnel authorities delegated to NASA or the NASA Administrator, in addition to the authorities specifically mentioned in the Inspector General Act. The document also arranges for support services to be provided to the Inspector General by the NASA Headquarters Personnel Programs Division to avoid unnecessary duplication.

D. Key Staff Appointments. Several significant personnel appointments have been made in recent months:

- o Deputy Inspector General. Mr. J. Brian Hyland was selected for the position of Deputy Inspector General. Mr. Hyland was formerly Assistant Inspector General for Investigations and will continue to carry out the functions of that position in a dual capacity.
- o Assistant Inspector General for Management. Mr. R. Craig Snyder has been selected for the position of Assistant Inspector General for Management. Mr. Snyder was formerly the Management Analysis Officer within the OIG.
- o OIG Counsel. For the past year legal counsel to the IG has been provided by the NASA Office of General Counsel. During this period, the volume of legal work increased substantially and the IG began audits and investigations that required independent legal analysis making it important to appoint a full-time attorney on the OIG staff. Mr. Francis P. LaRocca, formerly with Defense Contract Administration Services, was selected for this post.

E. Travel Funds. Travel funds were severely limited in FY 80 and careful monitoring was required to assure that important audits and investigations were not adversely affected. NASA management has cooperated by assigning sufficient priority to OIG activities and the OIG stretched available funds by postponing less essential travel. Funding for travel intensive OIG programs will require continued priority and attention in FY 81.

F. Inspector General Management Information System (MIS). As reported previously, the OIG has developed an automated information system to support the audit and investigations programs, to assist IG staff and NASA management in tracking the status of corrective actions on recommendations, and to support IG administrative functions throughout the country. The audit subsystem has been brought on-line and is undergoing detailed checkout. The subsystem includes an audit plan module, an audit report abstract module, and a recommendation tracking module.

In November, the first comprehensive reports of outstanding audit recommendations will be distributed to NASA management officials responsible for taking the corrective actions and to those responsible for follow-up.

We are making good progress in developing the system, but are reaching a stage where implementation will be constrained by hardware. The MIS currently consists of nine word/data processing stations located at most field offices and connected with a small computer installed at Headquarters. Augmentation of this hardware will be necessary both in FY 1981 and FY 1982 to achieve effective performance. We are now working with NASA administrative officials to add word/data processing stations and to increase computer storage capability in order to accommodate the expanding audit data base. In FY 1982, we plan to optimize the central processor to provide a fully operational system with queries and interaction from field auditors and investigators.

CHAPTER II  
AUDIT ACTIVITIES

A. Introduction

During the six months ending September 30, 1980, the Office of Inspector General issued 23 reports on internal audits performed at NASA Headquarters and at NASA field installations. The audit staff also participated in investigations resulting from allegations received via hotline calls and from NASA employees. Appendix I contains a list of these internal audit reports.

With limited exceptions, audits of NASA contractors and grantees are performed on a reimbursable basis by the Defense Contract Audit Agency (DCAA) and Department of Health and Human Services (HHS). During the reporting period, 23 DCAA audit reports on NASA contractors were processed to NASA officials as matter of special interest or for follow-up to ensure corrective action. A list of these reports is presented in Appendix I. The latest measureable results reported (six months ending March 31, 1980) for all audits show that the auditors questioned \$127 million on actions completed during the period related to about 237 pre-award and post audit reports. This resulted in a net savings or cost avoidance of about \$11.7 million.

Paragraph B summarizes the status of management actions on significant audit recommendations reported as open issues in previous semiannual reports. Only those matters which are still open issues or which require comment to satisfy previous statements are discussed. Appendix II contains the full list of audit reports with significant audit matters carried forward from previous semiannual reports and shows the status of each report.

Significant new observations and recommendations reported in the six months ending September 30, 1980, are discussed in paragraph C. All of the following discussions are organized around the three regional clusters of the Office of Inspector General.

Paragraph D discusses multi-location reviews currently in progress, involving different regions and NASA Headquarters. One is a review of allegations of certain irregularities and mismanagement involving the Space Shuttle Extravehicular Mobility Unit. The other is a review of a major NASA program, the Tracking and Data Relay Satellite System. This

review covers such matters as program planning, financial and contractual arrangements, contract administration, and project management.

B. Status of Audit Recommendations Previously Reported.

1. EASTERN REGION

a. Review of NASTRAN Activities. This review of selected NASTRAN (NASA Structural Analysis) computer software activities disclosed improper or questionable use of the program by a NASA contractor who was involved in developing and maintaining the software. The use was believed to constitute a breach of contract which could require financial adjustment or other remedial action. The questionable use generally occurred because of changes and interpretations of the contract clause, "Rights in Data--Special Situations," which covers computer software developed or used by NASA contractors.

It was recommended that NASA program, technical, legal and procurement representatives determine future actions to be taken regarding other than NASA approved marketing of NASTRAN. Recommendations were also made regarding recovery of any financial damages and a technical review to determine the extent of improper use and the amount of financial damages. NASA Headquarters legal and procurement representatives concurred with the recommendations. NASA General Counsel is currently pursuing resolution of the problem with the contractor.

b. Selected Reimbursable Activities. NASA activities performed for others on a reimbursable basis amounted to approximately \$400 million per year in FY's 1978 and 1979. About \$150 million was for domestic organizations and foreign governments. Audit showed that improvement was needed in several areas. These included processing internal billings of earned reimbursable work and the related transfer of Treasury deposit funds to NASA; return of miscellaneous receipts to the Treasury Department; collection of money due from a contractor; accounting for completed agreements; and charging other government agencies for contract administration services. The delays in processing internal billings were of particular significance since they resulted in inaccurate external reporting of NASA expenditures and an overstatement of accounts receivable. NASA management has initiated several actions in response to the audit. Audit follow-up is continuing to assess action on the remaining recommendations.

## 2. SOUTHERN REGION

a. Review of Micrographics Operations and Related Activities, Computer Sciences Corporation. The audit disclosed that an opportunity exists to realize increased efficiency in this contractor's operations and achieve an annual cost avoidance of about \$557,000 as follows: (1) About \$200,000 could be saved by increasing the utilization of computer output microfilm technology in printing computer reports. Reports printed on paper cost about \$.054 for the original page and two copies whereas microfiche averages about \$.007 for the original and two duplicate frames. The auditor estimated that 335 paper reports could be converted to microfiche; (2) approximately \$130,300 could be saved by converting reproduced computer paper reports to microfilm. Paper reports cost about \$.012 to \$.0184 per page to reproduce whereas microfiche averages about \$.00044 per frame/page; (3) increased automation and utilization of graphics software program for the preparation of program management charts and graphs could result in savings of \$226,100. Currently, about 1,150 management charts and graphs are prepared manually of which 40% are prepared and/or updated from computer generated data.

Audit recommendations were submitted to the contractor and NASA Center management for follow-up to ensure corrective action. Center Management agrees that the audit recommendations have merit. However, such large scale utilization of microfiche presents several potential problems. Therefore, before fully implementing the audit recommendations, Center management has initiated an overall feasibility study which is scheduled for completion during the first quarter of FY 1981.

b. Update of Estimating System Survey, Martin Marietta Aerospace, Michoud Operations. Although this review disclosed that the contractor's system is generally adequate, some conditions were found which require corrective action. These conditions include: a lack of supporting data or acceptable rationale for "miscellaneous/-unknown" material adjustment factor; improper application of a "composite material adjustment factor" (CMAF) resulting in a compounding effect of the individual rates; application of "CMAF" to Interdivisional Operating Directives and subcontract estimates resulting in unreasonable cost adjustments to proposed material costs; the inclusion of a factor for overtime in forward pricing labor rates which is considered an improper estimating technique and effectively circumvents the NASA Procurement Policy related to the control of overtime (NPR 12.102-2); and lack of submission of current,

accurate and complete cost and pricing data required under PL 87-653--related to proposals for changes. Audit recommendations were submitted to the contractor and NASA Center management for follow-up to ensure corrective action. Corrective actions taken by the contractor and Center management are considered responsive to the audit recommendations.

## 3. WESTERN REGION

a. Report on General Administrative (G&A) Expenses Noncompliance with Cost Accounting Standard (CAS 410) General Dynamics Convair Division. Based on the DCAA auditor's opinion, the Defense Contract Administration Service (DCAS) Administrative Contracting Officer (ACO) in March 1978 determined that the contractor's use of a single element direct labor base to allocate divisional G&A expense for 1978 was in noncompliance with Cost Accounting Standard (CAS) 410. In February 1979 the DCAS-ACO reversed the prior determination of noncompliance. Notwithstanding this reversal, the audit position is that the contractor is in noncompliance with CAS 410 effective January 1, 1978. The estimated excess cost to the Government attributable to the noncompliance for the years 1978 through 1980 is about \$7.8 million. A significant amount of this excess cost has been charged to NASA contracts.

Because of this difference of opinion on the matter between the DCAA auditor and the DCAS ACO and the dollar impact, it was recommended that this matter be pursued by NASA management. This would include further discussion with appropriate DOD representatives.

In April 1980, after coordination with Defense Logistics Agency Headquarters, the Contracting Officer (CO) issued an "initial" determination of noncompliance. The contractor disagreed with this determination. On August 7, 1980, the DCAA auditor completed his review of the contractor's position and was still of the opinion that the contractor is in noncompliance with CAS 410. The Contracting Officer has issued a final determination of noncompliance which the contractor will probably appeal to the appropriate Appeals Board. In view of this action, we consider the matter closed.

C. Significant Findings Reported During Six Months  
Ending September 30, 1980.

1. EASTERN REGION

a. National Transonic Facility Construction.

This facility is a high Reynolds Number wind tunnel being constructed for NASA, DOD and industry to test the design of aircraft and aerospace components. Construction began in 1976 and will be completed in 1982 at a cost of \$85 million. Audit of the management of the construction showed that a liquid nitrogen pump had been deleted from the budget to save \$16,000 in construction costs even though it would result in operating costs increasing annually by \$14,000 or \$700,000 over the life of the facility. In response to audit recommendation, management took immediate action to restore the pump to the budget. The audit also showed problems in the accounting and reporting for project costs and in the procedures for quality control documentation. Management concurred with the recommendations to correct these problems and responsive actions are being taken.

b. Acquisition, Accountability and Disposition of Titanium. Almost 500,000 pounds of titanium had been acquired in the early 1970's which would be valued at about \$10 million at today's prices. Audit confirmed an employee allegation that adequate control and accountability procedures had not been established for this valuable metal. We also found that titanium had been furnished to contractors without adequate compensation. Management concurred with the recommendations and is in the process of taking corrective actions. Contract adjustments of about \$135,000 may result in favor of NASA.

c. Report on Financial Management Reporting Procedures and Practices - Landsat D Program. The audit was initiated because of NASA management's concern as to why a significant cost overrun (\$26 million) did not surface on a timely basis. The audit disclosed unacceptable procedures in arriving at "estimates to complete" and the lack of an appropriate project budgetary system for the monitoring of costs. Instead of developing realistic "estimates" based on actual work to be performed, the contractor had followed the simple practice of using the previous quarterly estimate as a baseline from which actual costs were deducted resulting in the "estimate to complete." For the period ending December 1979, the contractor developed a "grass roots" estimate for the work remaining to be done. This revised estimate reflected a significant overrun. Contractor and Center management agreed that an appropriate financial

management system should be established. Corrective action is currently underway and is responsive to the audit recommendations.

d. Report on Labor Costs - Landsat D Program.

Serious weaknesses were observed in the contractor's timekeeping procedures and internal controls. The review was initiated to evaluate the circumstances surrounding an increase in labor costs which were part of a projected \$26 million overrun. Specific weaknesses included: timecards were filled out by managers, timecards were not filled out on a daily basis in many instances, and a general misunderstanding of unapplied time codes was noted. Labor mischarged to the Landsat program amounted to at least \$105,000. The report was furnished to Center management to provide them an opportunity to follow-up with the contractor to ensure that corrective action is taken on a timely basis. Also, the report has been referred to the Assistant Inspector General for Investigations for further review and possible investigative action.

2. SOUTHERN REGION

a. Financial Accounting System and Fund Allocation Utilization. This audit assessed the progress of the development of one installation's financial accounting system which was established in FY 1976. While significant progress had been made, we observed several areas where further improvements would result in a more efficient, accurate, and economical system with improved internal controls. Management concurred with nine recommendations for specific improvements and is implementing corrective system changes.

b. Gaseous Nitrogen Utilization. We received an employee complaint that NASA was being overbilled for gaseous nitrogen consumption at one Center. Audit confirmed that such overbillings had occurred and that corrected billings should result in a credit to NASA of approximately \$73,000. In response to our recommendations, management is installing procedures to provide for improved monitoring of utilization and for more effective verifications of billing data.

c. Small Purchases and Related Activities. Audit of practices and procedures for small purchases (procurement actions under \$10,000) at one installation showed several problem areas which required management attention. These included deliveries, receiving and inspection; expediting of orders; competitive award

practices; and control of on-site contractors' purchases. Management plans responsive actions on the audit recommendations.

d. Payroll Processing and Related Activities. Audit of the procedures and system controls used in payroll processing at one Center disclosed problems in overtime justifications and approvals; leave administration and timekeeping procedures. Management is taking corrective actions on the audit recommendations.

e. Policies and Procedures Relating to Precious Metals. The contractor's policies, procedures and practices were deficient in many aspects of the precious metals cycle. Current procedures in use were prepared in 1973 at a time when only a minimal amount of gold was used and at a cost per ounce substantially less than present value. The contractor agreed with the audit recommendations and has initiated corrective actions. The report has been furnished to Center management for follow-up to ensure that responsive action is taken. Contractor's action is responsive to the audit recommendations.

f. Interim Reports on Travel Allowances and Expenditures. The reviews disclosed excessive and unreasonable costs incurred by Rockwell International, Space Systems Group, in connection with employee travel and related activities. Costs in the amount of \$969,750 have been suspended from costs claimed by the contractor. Areas of concern include: rental of automobiles, family travel, use of privately owned vehicles and other questionable claims. Numerous corrective actions have been initiated by the contractor and vigorous follow-up action has been taken by NASA management. Audit assessment of the corrective actions indicate satisfactory progress. However, the scope of the problem is such that the audit and investigative actions are ongoing. A final audit report on this matter is expected to be issued in the first quarter of FY 1981.

g. Report of Apparent Noncompliance with Cost Accounting Standard (CAS 401). The contractor's labor costs are estimated by labor classification whereas such costs are accumulated by project number. Therefore, estimated labor costs are not identifiable to experienced costs. The contractor concurred in the audit recommendation and indicated that software modifications for the necessary cost accounting will be implemented providing for the accumulation of direct labor costs by job classification. The report was furnished to Center management to provide them an opportunity to follow-up with the contractor to ensure that corrective action is completed on a timely basis. Contractor's action is responsive to the audit recommendation.

h. Review of Production Scheduling and Control. The audit disclosed that production scheduling and reporting functions which are being accomplished manually could be computerized with a resultant estimated annual savings of \$285,000 with an increase in efficiency. The contractor agreed to implement a computerized system and to study the feasibility of computerizing other related functions. The report has been furnished to Center management for follow-up and action is now underway to ensure that a computerized system is implemented.

i. Report on Union Grievance Costs. Union representatives claimed that non-represented personnel were performing bargaining unit work. Although the settlement amount was small, the potential for labor relation problems was considered significant. The audit disclosed that the contractor performed an adequate investigation to determine the validity of the grievance. However, adequate documentation was not available to identify specific units of work. Audit recommendations required improvements in procedures and internal controls to preclude a repetition of such grievances and the need for appropriate documentation. The report has been furnished to Center management for follow-up to ensure responsive action on the recommendations.

### 3. WESTERN REGION

a. Controls Over Exhibits Managed by the Public Affairs Office. Property records for public affairs exhibits valued at \$899,200 were found to be significantly inaccurate. Specifically, 55 percent (valued at about \$494,000) of the exhibits reported at the time of audit had either been destroyed, lost or declared surplus. Also, over 200 existing exhibits had not been reported in the property records. Several recommendations were made for the implementation of required NASA property management controls. Management concurred and is taking corrective actions.

b. Internal Controls Applicable to Half-Fare Airline Coupons. Strengthening of internal controls was needed to ensure that travelers surrender all half-fare coupons and any other future discounts received in connection with NASA sponsored travel. In an audit at one Center, we estimated that only about 58% of the total coupons which travelers were eligible to receive had been surrendered. Management took appropriate actions to establish tighter controls. Also, where possible, outstanding coupons identified in the audit were obtained. Based on this internal audit, Defense Contract Audit Agency (DCAA) was requested to include emphasis in this area in audits of NASA contractors.

c. Management of the Highly Maneuverable Aircraft Technology Program. The \$17.3 million expended on this program represented a cost growth of \$5.5 million or almost 50% of the initial base contract price of \$11.8 million. The audit showed the following management practices may have contributed to unnecessary cost growth: omission of periodic risk analyses; relatively low priority given to organization support; incomplete project documentation; and inadequate contract administration. Management is taking actions to ensure that these research and development project management practices will be improved.

D. Multi-location Reviews in Progress

1. Space Shuttle Extra-Vehicular Mobility Unit. The Office of Inspector General received allegations of certain irregularities and mismanagement involving the Space Shuttle Extra-Vehicular Mobility Unit. The allegations focused on three primary issues: (1) that inter-center disagreement over preferred technology was a dysfunctional factor; (2) that the successful contractor had an unfair advantage over potential competitors; and (3) that technical problems and major failures in the suit caused repeated modifications resulting in a large cost overrun with the need for a major redesign effort. These and other related issues were included in the review.

The Extra-vehicular Mobility Unit (EMU) will provide shuttle vehicle crew members with the capability to perform extra-vehicular activity while in earth orbit. Competitive offers were solicited on December 12, 1975. Two companies submitted proposals and the EMU was placed under a cost-plus award fee/fixed fee contract on January 24, 1977. The basic contract covered the design, development, test, and evaluation (DDT&E) at an estimated amount of \$18,910,400 for the delivery of 7 life support systems and 22 space suit assemblies. The original delivery schedule provided for the EMU to be delivered for certification testing by August 1978 and the DDT&E production units to be delivered by March 1979.

The review did not confirm the first two allegations. It showed that there were restrictive specifications which may have limited competition but which did not necessarily give an unfair advantage to the successful contractor. The EMU project has experienced technical problems and failures which caused modifications resulting in large cost overruns as alleged. The original contract as bid, including the production phase, was \$24.1 million. At the time of our review, undefinitized and negotiated changes and other adjustments had increased the amount to over \$71.8 million. During review of the allegations other observations were made of areas requiring management attention. These included severe limitation of lead time in making the procurement; consistent underfunding of the contract; a lack of timely review and consideration of significant changes or modifications; and undefinitized contract changes dating back to 1977 and amounting to \$19 million.

A draft report was commented on by NASA management and the final report is currently being prepared.

2. Tracking and Data Relay Satellite System (TDRSS). A review of a major NASA program, the Tracking and Data Relay Satellite System (TDRSS) is in progress. The field review work is complete and a draft report is currently being prepared. The report will cover such matters as program planning, financial and contract arrangement, contract administration, and project management.

These areas are being highlighted in the draft report because the program deviates from the conventional methods used by NASA in its acquisition, financing and managing of space programs; represents a unique combination of spacecraft hardware components and processes which are brought together to satisfy diverse commercial and governmental requirements; the contractual arrangement provides unique conditions involving a fixed price procurement of a service; and TDRSS represents the first NASA attempt to satisfy a space project requirement by off-budget loan financing.

The audit report will address the question as to whether these various different arrangements offer a management pattern which should be repeated in future joint ventures.

CHAPTER III  
INVESTIGATIVE ACTIVITIES

A. Introduction

The primary criminal investigative responsibility of the NASA Office of Inspector General is in the area of White Collar Crime and, in particular, Procurement Related Fraud. This activity was recently designated by the Attorney General as a national priority and includes two major categories: (1) corruption of Federal employees and officials in connection with Federal procurement of goods and services, and (2) contractor actions resulting in inflated costs through mischarging and overbilling, failure to meet specifications, and failure to perform as required.

Other areas of criminal investigative responsibilities include theft or misuse of Government property, violation of drug statutes, and crimes on NASA premises (armed robbery, assault, gambling, etc.).

Investigations are also conducted in other non-criminal matters which may lead to the recognition and correction of situations involving waste, abuse, or mismanagement. Non-criminal investigations include the failure to adhere to Federal procurement laws, rules and regulations, prohibited personnel practices, waiver of claim for over-payment of pay, tort claim matters, and unethical and improper conduct.

In addition to the reactive type of investigations cited above, the OIG (Investigations) also participates in positive programs to ferret out potential fraud, waste, and abuse. Targeted areas are generally developed by reviewing audit reports on other agencies. When situations are detected which may apply to NASA's operations, instructions are issued to Regional Directors to institute a review for similar problems.

At the beginning of this six-month reporting period, there were 149 cases under active investigation and 24 pending cases wherein investigation was substantially completed and in report-writing stages or awaiting advice of management action taken.

During the six-month period ending September 30, 1980, the OIG opened 229 investigative inquiries, both criminal and administrative, while closing 107 matters - leaving 223 active investigative matters and 48 in a pending status.

	Six Months Ending	
	9/30/80	3/31/80
<u>Cases under Active Investigation</u>		
NASA OIG.....	173	124
FBI.....	21	19
Other Agencies.....	20	2
In Prosecution or Grand Jury Stage.....	<u>9</u>	<u>4</u>
	223	149
<u>Cases Pending Final Action</u>		
Audit action.....	7	9
Administrative or Management Action Taken.....	10	11
In Report Preparation.....	<u>31</u>	<u>4</u>
	48	24
TOTAL Active and Pending Cases	<u>271</u>	<u>173</u>

Of the 271 active and pending investigative matters, 175 relate to criminal activity and 96 are of a non-criminal nature.

<u>Criminal</u>	
Fraud Against the Government	44
Theft or Destruction of Government Property	28
Bribes, Graft, Kickbacks, Conflict of Interest	22
Misuse or Conversion of Government Property	21
False Claims Act	2
False Statements	4
Falsifying Time and Attendance Records	9
Falsifying Travel Vouchers, Misuse of Government Travel Documents	24
Crime on NASA Premises (Murder, Rape, Assault, Theft of Personal Property, Gambling, etc.)	12
Loss or Theft of Lunar Samples	2
Misuse of Official Mail	3
Violations of Drug Statutes	3
Wage and Hour Law	<u>1</u>
Total Criminal.....	175
<u>Non-Criminal</u>	
Management and Program Studies	8
Unethical and Improper Conduct	16
Waste, Abuse and Mismanagement	34
Procurement Irregularities	10
Source Evaluation Board - Leak of Information	2
Waiver of Claim for Overpayment of Pay	6
Prohibited Personnel Practices	4
Tort Claims Against the Government	2
Administrative Inquiry	11
Danger to Public Health and Safety	<u>3</u>
Total Non-Criminal.....	96
TOTAL MATTERS.....	271

During this reporting period, the OIG referred 41 cases to other agencies including the Federal Bureau of Investigation, General Services Administration, Department of Justice, Internal Revenue Service, U.S. Postal Service, and other Offices of Inspector General. The U.S. Attorney declined on 26 cases for such reasons as lack of prosecutive merit, no significant dollar amount, no jury appeal, and administrative action taken was sufficient.

During the reporting period, the OIG investigated several matters involving post-employment Conflict-of-Interest situations involving former NASA employees. Investigative findings were discussed with the Office of Government Ethics, United States Attorneys, and representatives of the Public Integrity Section of the Department of Justice. Although several matters may have constituted technical violations of the law, prosecution was declined in each instance primarily because of the difficulty in construing Section 207(b) of Title 18, U.S. Code. The OIG took the position that NASA employees must not only avoid actual Conflict-of-Interest situations, but also the appearance of such. Recommendations were made to NASA management to elevate the review procedures of contracts involving former employees. Management has acknowledged that a potential problem may exist and has requested the General Counsel to develop a new policy for handling of future contracts involving former employees.

There have been four convictions and one acquittal on matters brought before local and Federal courts. Seven indictments have been returned and trial dates have been set. Recoveries amounting to \$29,624 and disallowances of contractor billings of \$972,030 were made. Personnel actions were taken against 16 NASA and contractor employees for misconduct. Sanctions imposed included oral and written admonishments, downgrading, suspension and dismissals.

B. Status of Investigative Matters Previously Reported.

1. WESTERN REGION

a. Fraud Against the Government - NASA  
Reliability and Quality Assurance personnel discovered the receipt of some inferior semi-conductors rebranded with the names of major semi-conductor manufacturers and remarked as of highest quality. NASA investigation determined that the products were sold as high-grade transistors to Government contractors, including a major aerospace contractor, at inflated prices when, in fact, they were substandard. The case has proceeded through FBI investigation, Federal Grand Jury proceedings, indictments, and guilty pleas on the part of four defendants. These defendants have received sentences including jail, probation, and fines. On June 10, 1980, the FBI advised that the Assistant U.S. Attorney had declined further prosecution and they have closed their file. NASA is conducting an administrative review to consider the merits of civil or administrative action.

b. Fraud Against the Government -  
Allegations were received from an employee of a major contractor that certain managers directed the mischarging of employees' time from a fixed-priced, incentive Air Force contract to a NASA cost plus contract. Investigation by NASA Office of Inspector General and interim audit results tend to support the allegations. Preliminary findings indicated that approximately \$120,000 was improperly charged to NASA contract. Discussions were held with the FBI and U.S. Attorney. Investigation initiated by the FBI is continuing. Recent meetings with Department of Justice Special Prosecutor, FBI, DCAA and NASA OIG resulted in a decision to determine more specific dollar amounts that can be proved through direct testimony of contractor employees and Government technical pricing determinations. The DCAA audit is continuing and a November completion date is anticipated.

c. Waste and Abuse - OIG received information that a contractor employee, while on temporary duty, received a travel authorization that included round-trip air fare for his companion and two pets. NASA OIG substantiated these allegations and found the contractor had authorized travel benefits well in excess of usual travel allowances for employees. These costs were charged to a NASA contract overhead account. The case has been discussed with the FBI

and the U.S. Attorney who is considering the matter from both the criminal and civil viewpoints. A DCAA audit has expanded to include other travel costs. Thus far, approximately one million dollars charged to the NASA contract has been suspended by NASA. DCAA is working on a final disallowance figure. Completion date is expected to be the end of October, 1980.

C. Significant Investigative Matters Opened during the Six-month Period Ending September 30, 1980.

1. EASTERN REGION

a. Fraud Against the Government - A major contractor had a \$2.7 million overrun on a fixed-price study contract. After the contractor was awarded the Phase II Contract, an allegedly fraudulent claim for the overrun was made and subsequently paid. OIG investigation determined this amount was included in a consolidated billing, identified as other direct costs. Investigation is continuing.

b. Fraud Against the Government - A DCAA labor audit of a major NASA contractor indicates that over \$200,000 of costs appear to have been diverted from a firm-fixed-price contract with another Government agency to a NASA cost-plus-award-fee contract. Investigation has determined that a deliberate plan may have been involved and there also are indications of additional mischarging. OIG investigation has been initiated and DCAA audit review is continuing. The Fraud Section, Criminal Division, Department of Justice, has been informed.

c. Fraud/Waste, Abuse, Mismanagement - A NASA contractor employee has furnished allegations indicating that officials of his firm deliberately mischarged current Government contracts with time spent by employees in the preparation of proposals for other contracts. The company is also alleged to have billed NASA for overtime labor costs which were not incurred. OIG investigation is ongoing.

d. Conflict of Interest - Two NASA employees formed a company and resigned their civil service positions. Shortly after, they obtained a contract for their company to do the same work that one of them did as a Government employee. OIG investigation ascertained that an agreement was reached to award them the contract prior to their resignation. The U.S. Attorney declined to prosecute because the installation legal counsel had advised the parties involved that they would not be in a conflict of interest situation. The OIG cited this case as an example in recommending to the Administrator that he consider applying stricter procedures used for consulting contracts to all procurement actions involving a sole source award to a current or former NASA employee. A response has been received that the Administrator anticipates changing regulations to raise the level of approval required in such cases and has asked the agency General Counsel to review the situation.

e. Improper Conduct - A confidential source advised that an official of a NASA Center was abusing his time and attendance records to carry on an affair with a female employee. An OIG investigation was conducted and both parties admitted their complicity. On receipt of the investigative report, NASA management imposed administrative sanctions. The Center official was downgraded two levels to a GS-13 and reassigned to a new position. The female employee was issued a letter of admonishment and placed on probation.

f. Conflict of Interest - An Associate Director for Project Management with responsibility for a specific project resigned from NASA in February 1979 and assumed employment with a NASA 8(a) minority contractor. The former employee made initial proposals to NASA in person for the 8(a) contractor to furnish an operational instrument for the same project in May 1979. The proposal included his assurance that the 8(a) contractor would hire key employees from the firm which originally developed the instrument for NASA. Negotiations by NASA began with the development firm in April 1978 with the employee acting as one of the NASA project officials. The developer firm withdrew from the instrument bidding in March 1979 after being offered a sole source contract at the employee's request, and refused to accept a fixed price contract. NASA rejected the former employee's and the 8(a) contractor's proposal by letter in June 1979 because of inherent risks due to the fact that the 8(a) contractor was not a manufacturer and was relying on the former employee to obtain the services of the development firm's key employees. The employee had formerly dealt with the development firm concerning the instrument which had also been used in other projects under his direction. As a result of an appeal to the Small Business Administration (SBA), the minority contractor was awarded an 8(a) contract to furnish an identical instrument for another NASA project and did hire key personnel from the development firm. The SBA approved a \$2.8 million Business Development Expense in September 1979 and the contract with NASA at \$4.2 million became effective in March 1980. It now appears that the Government may incur a total obligation of \$7 million for the procurement of this instrument notwithstanding an indication from another manufacturer that they could provide the instrument for \$3 million. This matter was referred to the Department of Justice in August 1980 for a prosecutive decision as to whether there may be a post-employment conflict of interest violation. However, prosecution was declined.

## 2. SOUTHERN REGION

a. Prohibited Personnel Practice - An employee submitted a complaint to the Office of Special Counsel in early 1979. He alleged NASA personnel violated procurement regulations in connection with the acquisition of testing equipment; mismanagement and possible danger to safety in the use of defective valves and transducers; suppression of a report containing negative findings on test results; and harassment and reprisals by management.

In April 1980, the Office of Special Counsel requested that additional investigation be conducted and a comprehensive report be submitted for dissemination to the President and the Congress.

This matter was treated as a priority case with audit and expert technical assistance utilized by OIG investigators. A report was submitted to the Administrator on August 21, 1980, and on August 27, 1980, the Administrator forwarded the report to the Office of Special Counsel. The report is also being distributed to the Congress, the President, and to the complainant. The Special Counsel's decision regarding further action on the report is pending.

b. Fraud Against the Government - GSA/OIG investigation disclosed that a contractor was falsifying labor hours on time and material contracted to GSA. NASA has five (5) contracts with this firm or its wholly-owned subsidiary. Approximately \$5,000 in fraudulent claims have been identified by GSA/OIG. Allegedly, the contractor claimed at least one person, who was not an employee of the company, as working on the contract. Also, employees are claimed on different contracts to be doing inspections at widespread locations during the same time period. As GSA and NASA have the largest number of contracts with this firm, at the request of GSA/OIG, a joint investigation has been opened.

## 3. WESTERN REGION

a. Fraud Against the Government - A confidential source advised that a NASA contractor's buyer has accepted gratuities from a subcontractor. Investigation revealed that the complaint was not true with respect to the named subcontractor but might have referred to another subcontractor that had received a \$1.9 million contract. This contract was terminated after being eventually funded for \$13 million. After termination, the NASA contractor awarded a contract for the same product to another subcontractor

that, in turn, contracted with the same subcontractor whose contract had been terminated. OIG investigation into the cost growth revealed 130 Change Notices, many of which were not within the scope of the original contract. DCAA assistance has been requested in tracking the contract cost growth and the matter has been incorporated into DCAA audit of subcontractors.

b. Waste, Abuse, and Mismanagement -

Allegations were received of deliberate preselections and overgrading of positions in the Procurement Division of a NASA Center in order to accommodate a NASA female employee and a former NASA minority employee. Allegedly, the violations were accomplished by means of an unnecessary re-organization. The NASA Director of Personnel conducted an on-site review of the personnel management aspects of the allegations and the OIG conducted an investigation into the events leading up to the personnel actions at issue. While the initial specific allegations were found to be unsupported, the OIG investigation established that rules and regulations were circumvented and that certain hiring records were falsified. The Assistant U.S. Attorney declined criminal prosecution in favor of administrative action by NASA. As a result of the review made by the Personnel Programs Division and our investigative findings, a new organizational structure of the Procurement and Contracts Management Division was implemented. The Director of the Center was directed to admonish the Personnel Officer and to review the personnel practices to insure there is no undue pressure which may result in similar violation of rules and regulations or other improper action.

c. Conflict of Interest - A confidential source advised that a subcontractor has been receiving sole source contracts because of a close personal relationship with an official of the NASA contractor firm. It was also alleged that the subcontractor entertained executives of the contractor firm on a company boat and also funded trips to Mexico for them. The OIG has instituted inquiry into this matter.

d. Conflict of Interest - A confidential source advised the OIG that a subcontractor was receiving sole source contracts from a major NASA contractor because of a personal relationship between a senior contractor official and the owner of the subcontractor firm. OIG investigation to date partially verified the allegations. It was established that the senior official had owned an outside business which performed services for the subcontractor at a monthly billing rate of \$5,000. Also, at about the same time that those services started, the

subcontractor received a multi-million dollar contract from the contractor. Eventually, the outside business was sold to the owner of the subcontractor firm. Also, allegations have been received from another source that the subcontractor has been mischarging labor costs to the contractor. OIG investigation is continuing into other financial transactions which have come to our attention. Discussions have been held with the FBI on this matter and they have agreed to assist in the investigation.

APPENDIX I

INTERNAL AUDIT AND CONTRACTOR AUDIT REPORTS

for the period

April 1, 1980 - September 30, 1980

EASTERN REGION

NASA Headquarters

Supplemental Report on Audit of Headquarters Logistics  
Operations - Contractor Support (A-A-80-005, July 1, 1980)

Goddard Space Flight Center

Utilization of RTOP Funds (A-E-80-010, July 29, 1980)

Titanium Accountability (A-E-80-008, September 26, 1980)

Review of Landsat D Reporting Process and Related Activities  
(DCAA 6381-0A130.002, May 1980)

Review of Labor Costs - Landsat D General (DCAA 6381-1AA30.005,  
August 1980)

Langley Research Center

National Transonic Facility (A-E-80-016, August 27, 1980)

Lewis Research Center

Travel Practices (ER 10-80, April 29, 1980)

ADP Security Survey (A-E-80-022, September 26, 1980)

SOUTHERN REGION

Johnson Space Center

Minority Business Enterprise (MBE) Procurement Program  
(A-S-80-013, August 11, 1980)

Interim Report - Travel Allowances and Expenditures (WRD 5-80, May 1980)

Noncompliance with CAS 401 (DCAA 1181-0F44052, July 1980)

Noncompliance with CAS 401 (DCAA 1181-1F444001, August 1980)

#### Kennedy Space Center

Payroll Processing and Related Activities (W-SR 7-80, April 24, 1980)

Gaseous Nitrogen Utilization (W-SR 9-80, April 15, 1980)

Review of Drug Control Procedures (W-SR 15-80, May 9, 1980)

Imprest Fund (A-S-80-033, August 28, 1980)

Computer Security Procedures (A-S-80-012, August 28, 1980)

Small Purchases and Related Activities (A-S-80-021, August 28, 1980)

Direct Labor Fringe Costs/Rates (DCAA 1371-0A13002-0-054, April 1980)

Review of Employee Health Benefits (DCAA 1371-0A105004-052, April 1980)

Labor Utilization Review of Thermal Protection System and Related Activities (DCAA 1231-00105008, April 1980)

Review of Production Scheduling and Control (DCAA 1371-9A105004-0-074, July 1980)

Grievance Cost (DCAA 1231-0F179056, July 1980)

Direct and Indirect Labor Accounts (DCAA 1371-0A13001-1-003, July 1980)

Labor Policies, Procedures, and Practices (DCAA 1371-0A13003-0-104, July 1980)

Interim Report - Travel Allowances and Expenditures (WRD 2-80, April 30, 1980)

Prorate Cost Center Allocation Methods (DCAA 1231-0B130047, July 1980)

Timekeeping Functions (DCAA 1231-0B130047, July 1980)

Review of Fringe Benefits (DCAA 1231-0B130046, July 1980)

Post Award Review of Cost or Pricing Data (DCAA 7501-0-420005-001, September 1980)

#### Marshall Space Flight Center

Payments to Contractors for Goods and Services (W-SR 13-80, April 14, 1980)

Financial Controls and Reporting of Government Property Held by Contractors (NASA Form 1018), (A-S-80-009, August 7, 1980)

Propellants and Pressurants (August 29, 1980, A-S-80-010)

Material Receiving and Receiving Inspection Departments (DCAA 1221-9N105239-141, May 1980)

Storage and Issue Functions (DCAA 1221-ON105367-17, May 1980)

History on Evaluation of Historical Facilities Capital Cost of Money Factors (DCAA 1371-9A140008-0-085, June 1980)

Survey of NASA 1018 Reporting System (DCAA 1371-9A140008-0-085, June 1980)

Policies, Procedures and Practices Relating to Precious Metals (DCAA 1371-0A178001-1-001, September 1980)

#### National Space Technology Laboratories

Financial Accounting System and Funds Allocation Utilization (W-SR 8-80, April 30, 1980)

Imprest Fund (A-S-80-030, August 28, 1980)

#### WESTERN REGION

#### Ames Research Center

Internal Controls Applicable to Half-fare Airline Coupons (WR 4-80, April 4, 1980)

Consultants/Nonpersonal Services Contracts (WR 8045, May 9, 1980)

Controls Over Exhibits Managed by the Public Affairs Office  
(A-W-80-009, September 2, 1980)

Construction Safety Procedures for the 40x80 Foot Wind Tunnel  
Modification Project (A-W-80-010, September 15, 1980)

Review of Accounting Practices for Computer Services (WRD-4-80,  
April 1980)

Dryden Flight Research Center

Management of Highly Maneuverable Aircraft Technology (HiMAT)  
Program (WR: 3-80, May 9, 1980)

APPENDIX II

AUDIT REPORTS WITH SIGNIFICANT MATTERS CARRIED FORWARD  
FROM PREVIOUS SEMIANNUAL REPORTS

A. CLOSED. Corrective action has been initiated by NASA management and progress has been sufficient to warrant removal of the following cases from the Semiannual Report. With two exceptions, it was not considered necessary to discuss the closing of these cases in Chapter II.

Eastern Region

Refuse-fired Steam Generating Facility Construction (ER 12-80,  
March 17, 1980)

Small Purchases (ER 7-80, February 8, 1980)

Small Purchases (NE 17-79, October 29, 1979)

Indefinite Quantity Contracts (NE 14-79, October 12, 1979)

Southern Region

White Sands Test Facility (W-SR 10-80, March 25, 1980)

Public Exhibits Program (W-SR 12-80, March 25, 1980)

Calibration Procedures and Practices (W-SR 6-80, February 13,  
1980)

Energy Conservation (DCAA 4681-OR105003, March 1980)

Mechanized Material Reporting Systems (DCAA 7501-105010-001,  
December 1979)

Update of Estimating System Survey (DCAA 1221-9N240106-031,  
February 1980)\*

Western Region

Source Evaluation Board Activities (WR 1-80, October 19, 1979)

General and Administrative Expenses Noncompliance with Cost  
Accounting Standard 410 (WR 79-1, November 1978)\*

\*These cases are discussed in Chapter II, paragraph B.

B. OPEN. Necessary corrective actions have not been completed in the following cases:

Eastern Region

Review of NASTRAN Activities (MA 7-79, May 9, 1979)

Selected Reimbursable Activities (ER 11-80, February 25, 1980)

Southern Region

Review of Micrographics Operations and Related Activities  
(DCAA 1231-00105007, March 1980)

APPENDIX III  
SIGNIFICANT INVESTIGATIVE MATTERS  
CARRIED FORWARD FROM PREVIOUS  
SEMIANNUAL REPORTS

This is a list showing the status of investigative matters included in the April 1980 Semiannual Report:

1. Eastern Region

- a. Irregularities in firm-fixed price painting contract (12-2866). Status: Open; Investigative results indicate no criminal violations, however, contract was poorly administered and NASA technical monitor exercised poor judgment in allowing his son to work on a contract under his cognizance. Recommendations for management improvement are being prepared.
- b. Janitorial contract - excessive labor charges allowed and kickbacks (12-2916). Status: Open; Criminal prosecution declined due to insufficient evidence; recommendations for management actions are being prepared.
- c. Contract irregularities, allegations of favorable treatment for certain suppliers in return for gifts and other benefits to NASA officials (12-2898). Status: IG investigation failed to substantiate allegations of criminal conduct. Recommendations for management improvements made to Center management. Corrective actions taken; case closed.
- d. Scrap contractor charged with defrauding the Government by falsifying weight tickets (I-E-80-001). Status: President and Vice-President of contractor firm indicted by Federal Grand Jury on two counts of defrauding DOD. Falsified NASA ticket not included in indictment due to being a one-time occurrence. Trial pending. OIG will report results to management.

2. Southern Region

- a. Construction contractor charged with false qualification certifications, false claims, false statements, kickbacks, and labor law violations (12-2636). Status: Principal case still in Grand Jury Process; Spin-off case resulted in conviction of an electrical contractor for submission of false statements to NASA and attempting to defraud the

Government. The activities of a second sub-contractor will be presented to a Federal Grand Jury in October, 1980.

- b. Payroll mischarging and "pay-offs" to NASA personnel (12-2856). Status: Agreement reached with contractor to reimburse NASA approximately \$8,500 for using trainees as qualified service technicians. Open: Additional OIG investigation pending.
- c. False nondestructive testing certifications (12-2912). Status: FBI investigation determined that the firm is properly accredited at the present time; U.S. Attorney declined prosecution; closed.
- d. Allegations of excessive wage rates being paid at a NASA Center for services of contract employees, particularly security guards (12-2954). Status: Investigation determined that wages are paid in accordance with Department of Labor determinations and that NASA's contract administration functions in a satisfactory manner; closed.
- e. Contractor alleged to have charged substantial time to NASA contracts that was expended for other customers (12-2964). Status: Contractor has admitted to mischarges of approximately \$25,000; Investigation continuing and presentations to Grand Jury expected to commence shortly.
- f. Allegation that the award of a \$1.6 million (approx.) contract was irregular as the selected contractor was the higher bidder and was considered by the Technical Evaluation Consulting Team to have the lower technical rating. Allegedly the NASA members of the Technical Evaluation Board disregarded advice of consulting team (I-S-80-003). Status: Open; OIG audit identified several administrative and document deficiencies in TEB file. Interviews conducted to date indicates "polarization" by both sides in favor of system worked with previously.

### 3. Western Region

- a. Counterfeit semiconductors (12-2351). Status: Open; OIG investigation established that allegations were valid; FBI conducted investigation and Federal Grand Jury indicted four persons in December 1978. In February 1979, charges against one person dismissed,

other three received fines and imprisonment. FBI investigation continued but in June 1980, Assistant U.S. Attorney declined prosecution and FBI closed its case. OIG case held open to consider merits of civil action.

- b. Scrap metal salvage contractor's failure to reimburse NASA for scrap received (12-2543). Status: The contractor was tried on two counts of conversion of Government property and was found not guilty; performance bond of \$1,000 ruled forfeited by GSA and remitted to NASA; closed.
- c. Labor mischarge from fixed-price Air Force contract to NASA cost plus contract (12-2876). Status: DCAA audit and FBI investigation continuing; Allegations confirmed; audit work to determine definitive dollar amounts of mischarging continuing at request of DOJ Special Prosecutor.
- d. Excessive travel allowances charged to NASA contract (12-2904). Status: OIG investigation and DCAA audit continuing; as of end of September 1980, almost \$1 million suspended by NASA.
- e. Cost of European travel of two contractor officials charged to NASA (12-2905). Status: OIG investigation confirmed allegation; FBI investigation held in pending status awaiting final DCAA audit report.
- f. Contractor overcharging Government in excess of \$10 million through irregularities and unacceptable practices for recording and reporting costs on Government contracts (12-2976). Status: The original case has been split into three separate matters, two of which have been referred to U.S. Attorney's Office for prosecutive decision. The remaining one still under Air Force OSI investigation and DCAA audit.
- g. A NASA Center's justifications of sole-source procurements to contract for the operation of a data facility, and to upgrade a computer for supporting increasing imagery processing requirements was questioned and reviewed (I-W-80-001). Status: As a result of information provided by the OIG, the sole source justification for the operation of the data facility was withdrawn and the contract will be competed. The justification for second procurement is being re-examined through a

higher level. Management took action to restrict the degree to which the concurrence in a recommendation may be delegated.

- h. Survey of loss prevention program at NASA facility in view of volume of high-value losses occurring (I-W-80-006). Status: Survey completed and draft report of recommendations submitted to management; discussions revealed no exceptions to findings; final report in preparation.
- i. Inquiry into high rates of loss by several firms manufacturing gold foil with gold provided by NASA (I-W-80-008). Status: Open; OIG investigation continuing with expert analyses being conducted.
- j. Report by contractor of the theft of 96 pounds of scrap golden polyimide foil of a value in excess of \$50,000 (I-W-80-011). Status: Open; investigation by FBI, OIG and local police continuing; no leads developed as yet; polygraphs by local police continuing.
- k. Employees of a NASA contractor accepting bribes and kickbacks from subcontractors in connection with scheme of purchasing materials at excessive costs which are passed on to the Government (I-W-80-018). Status: Criminal trial proceedings complete with three convictions on Mail Fraud and Conspiracy counts and one acquittal. Civil case pending.



National Aeronautics and  
Space Administration

Washington, D.C.  
20546

Office of the Administrator

NOV 26 1980

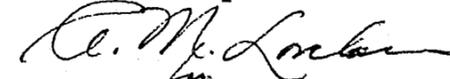
TO: W/Inspector General

FROM: A/Administrator

SUBJECT: Office of the Inspector General - Semiannual Report,  
April 1, 1980 - September 30, 1980 dated October 31, 1980

I have reviewed your semiannual report for the period April 1, 1980 - September 30, 1980.

The report gives clear evidence of the success of your efforts over the past year to reshape and strengthen NASA's audit and investigative functions. I particularly want to express my appreciation for your personal efforts as a participant of the NASA management team in assuring that the agency functions efficiently and effectively.



Robert A. Frosch

**END**